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INFORMATION REPORT

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1. A change of heart is now taking place in the Yugoslav Communist Party which reaches deeper than the anti-Anglo-American bad feeling caused by the Trieste crisis. Yugoslav Communist leaders are having serious trouble with the decentralization of their economy which is to remain a planned economy. In the various factories designated as the people's property, the managerial cadres are cooperating with the workers' councils composed of radical Communist elements in their opposition to the government's soft policy towards the peasantry. The workers' councils are not willing to set the wage levels in accordance with the government's cheap consumer goods policy. They demand that the living standard of the workers be raised, as has been promised by Moscow to its Satellites. In a number of cases the councils decided to distribute the surplus profits as bonuses instead of reinvesting them in industrial expansion or municipal projects. Labor organizers have intervened in some cases, trying to persuade the workers to give up the bonus, but these interventions often proved to be in vain.
2. The workers' opposition is closely tied in with apprehensions of the ex-partisans who compose the Party cadres. They fear that with the present stagnation of nationalization and collectivization they may lose the privileged status they won after 1945. In the recently elected bodies there is a considerable stratum of radical Communists who oppose Tito's go slow policy. Among these advocates of radical socialization there are a considerable number of organized "Cominformists."
3. There is a noticeable schism between the radical-minded urban sectors of the Party and the moderates around Tito. This development is in accordance with the intention of the Malenkov government to normalize Soviet-Yugoslav relations. Malenkov's policy is in all respects more acceptable to the Yugoslav Communists than Stalin's course had been and they see in it a confirmation of their own criticisms and objections.
4. The reestablishment, however, of relations between the Cominform and Belgrade as they had been before 1948, may not be expected. The Tito regime is not inclined to change its alignment with Greece and Turkey, but aims at being accepted by the Soviet Government as a friendly but independent government, willing to support the Kremlin only when their own interests so demand.

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